

Cathy Cox
Secretary of State

John W. Oxendine
Commissioner of Insurance



January 23, 2002

To: All Insurance Agents

Re: Unlicensed Sale of Securities

Our offices have become aware of a significant increase in the number of licensed Georgia insurance agents being solicited to sell securities in the State of Georgia. The purpose of this letter is to inform you that it is illegal to sell securities in or from Georgia without a valid securities license.

If you are solicited to sell any product that constitutes an investment (other than an annuity), there is a strong probability that the product is classified as a security under the Georgia Securities Act of 1973, as amended (O.C.G.A. § 10-5-1, *et seq.*). For example, **promissory notes** issued for investment purposes, regardless of their terms or maturity dates, are almost always securities. Likewise, investment contracts involving **payphones, ATMs, coin collections, equipment leasing opportunities, commercial paper, prime bank notes, viatical settlements, senior settlements, and life settlements** are securities that may not be sold without a securities license. Even if you have a securities license, the security itself must usually be registered with the Secretary of State and you must receive approval from your broker-dealer before offering or selling these products.

As the result of complaints received by the Secretary of State, many Georgia insurance agents have already been ordered to pay monetary penalties or have been criminally prosecuted. If you sell securities without a securities license, you could be subject to criminal prosecution for a felony or could have civil penalties imposed against you in an amount up to \$50,000.00 per transaction, or both. In addition to these sanctions, you may also be liable for refunding the entire amount of all of the investments you sold, even if you earned only a small commission. If the product you sold turns out to be an economic bust, it may result in a complete loss of investment principal to your clients.

Please be aware that many of these products are often promoted using phrases such as "business opportunities," "general partnerships," "sale-leaseback agreements," or similar language designed to give the false impression that they are not securities. If you blindly accept the word of someone promoting the product as a non-security, including the issuer of the security, you do so at your own risk. Likewise, you should think twice before relying on any legal opinion purportedly expressed by someone who is not your attorney. Instead, if you are approached to sell any investment product, you should seek the advice of your own attorney or contact the Securities Division of the Office of the Secretary of State to determine whether the product is a security before offering or selling it.

You should also be aware that if you violate the Georgia Securities Act, regulatory action may be taken against you in your capacity as a Georgia Insurance Agent. That action could include suspension or revocation of your agent license, as well as monetary penalties.

January 23, 2002
Page Two

Please protect yourself and your clients, friends, and relatives. We urge you to contact the Securities Division at (404) 656-3920 before you sell **any** investment that has not been approved by your broker-dealer or reviewed by the Securities Division. The best way to avoid financial problems, embarrassment and regulatory or criminal sanctions is to check out an investment before you sell it. Inquiries by industry professionals are encouraged and may help stop potential securities fraud before innocent Georgians are victimized.

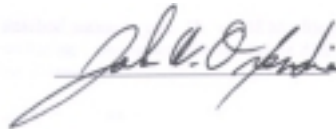
Do not hesitate to contact the offices of the Commissioner of Insurance's Enforcement Division or the Commissioner of Securities (Secretary of State) if you wish to discuss this matter, either generally or with respect to a particular product.

Sincerely,

CATHY COX
SECRETARY OF STATE

A handwritten signature in cursive script, appearing to read "Cathy Cox".

JOHN W. OXENDINE
COMMISSIONER OF INSURANCE

A handwritten signature in cursive script, appearing to read "John W. Oxendine".